



3Q/9M 2016 Results Presentation

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Chief Financial Officer

Rome 4 November 2016

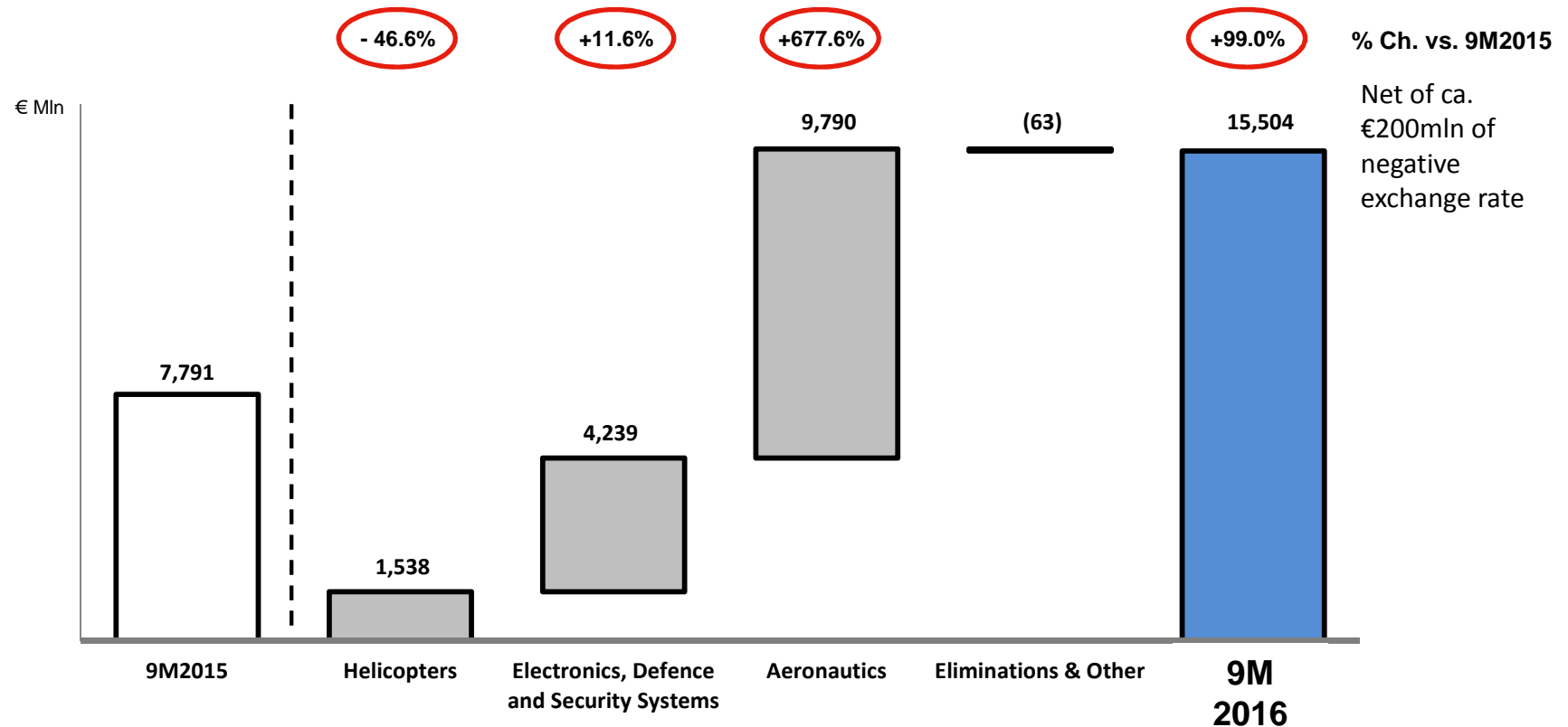


Key messages

- * Strong delivery of Industrial Plan in a challenging market environment
- * Continued benefits from a stronger, better balanced portfolio
 - * Aeronautics and Electronics, Defence & Security continue to outperform vs expectation
 - * Offsetting weaker orders and revenues in Helicopters YTD; stronger performance expected in Q4
- * New Orders at record € 15.5bln (+99% YoY), with Book to Bill at 1.9x
- * Efficiency gains supporting continued improvements in profitability
- * Net result more than doubled at € 343mln, supported by lower financial charges
- * Strong performance expected in Q4 with high quality orders in pipeline
- * On track to deliver FY guidance

New Orders

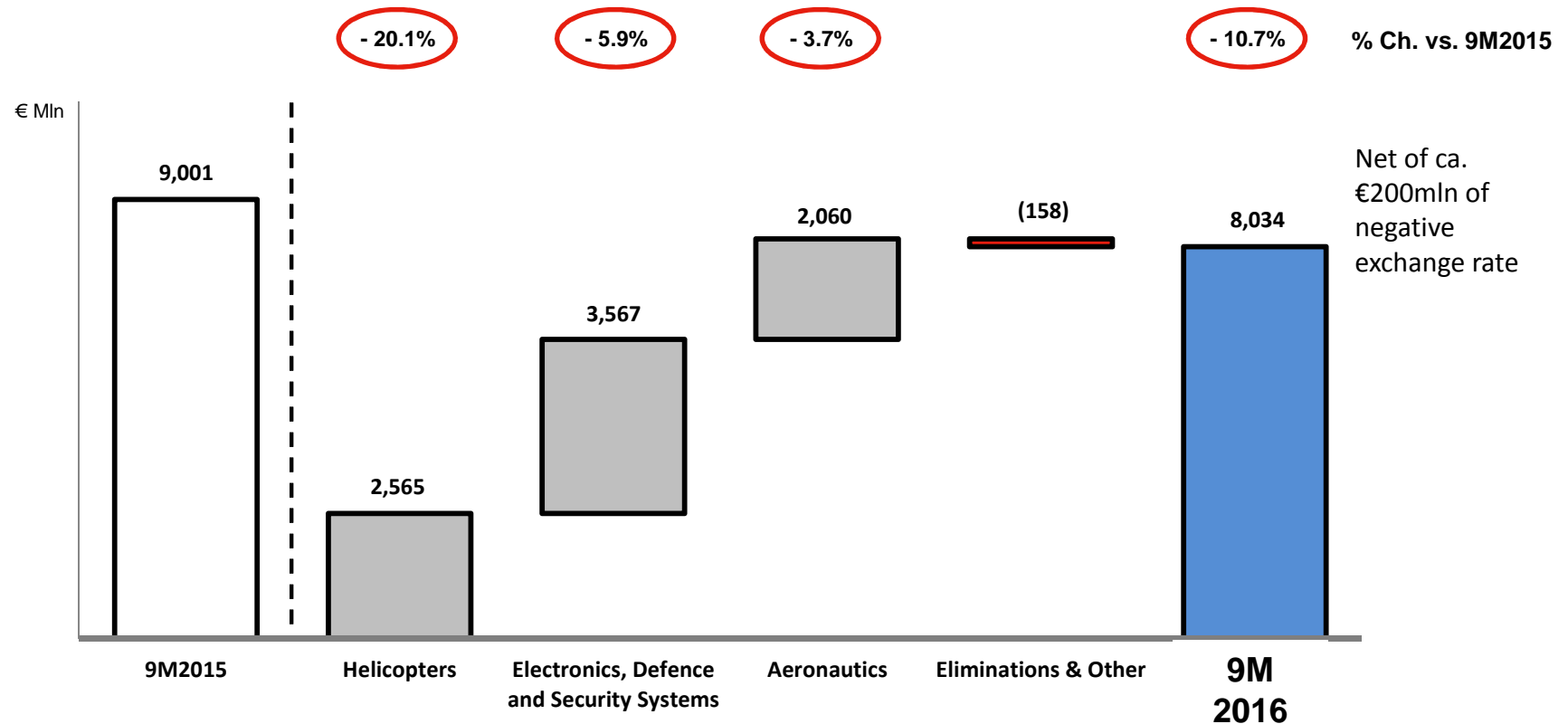
Very good performance even excluding EFA-Kuwait contract



- * New orders benefitting from the €7.95bIn Eurofighter Kuwait contract
- * Also excluding the EFA-Kuwait, Aeronautics (M346, ATR and B787) and Electronics, Defence and Security Systems (UK MoD FSOM) increase YoY and offset decline in Helicopters

Revenues

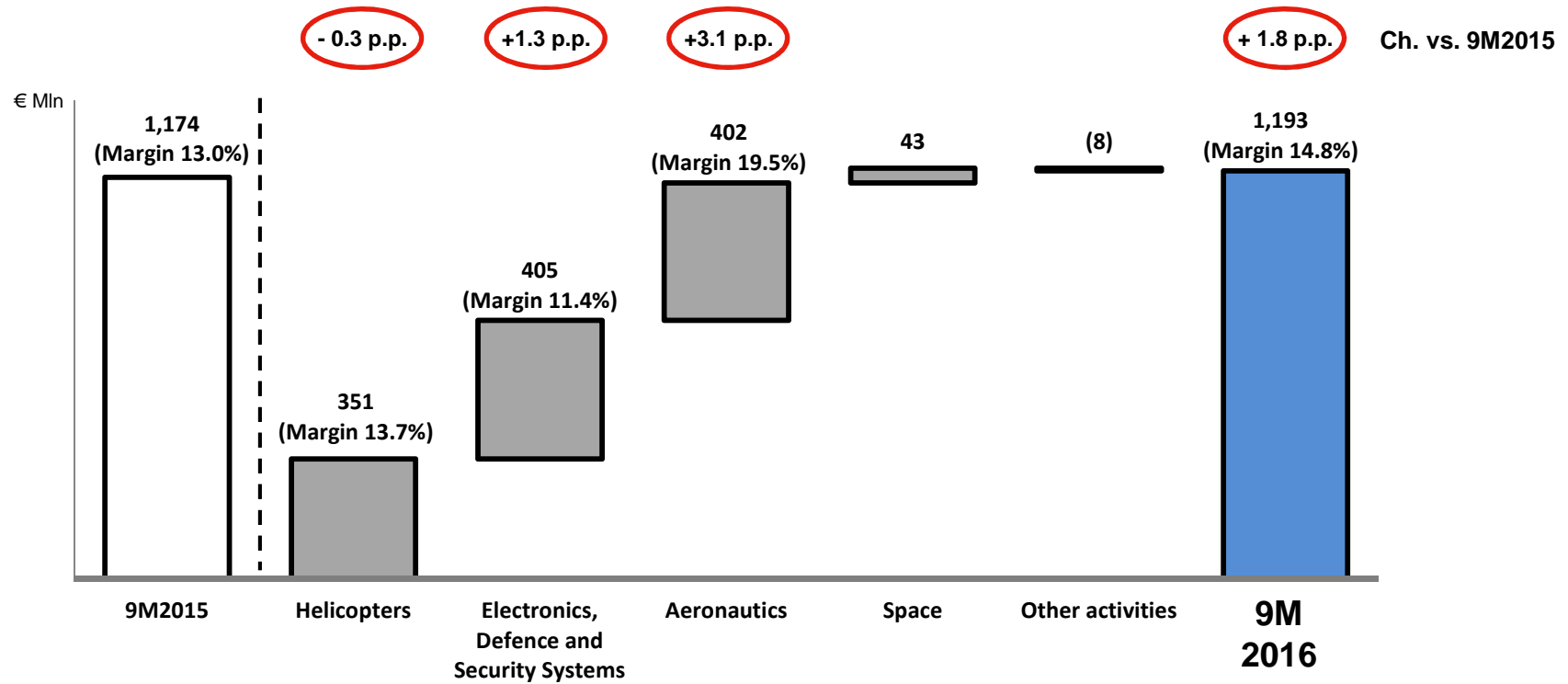
Lower YoY due to change in perimeter and shortfall in Helicopters



- ✦ Stable YoY Revenues excluding
 - ✦ change in perimeter for ca. €200m, mainly affecting Aeronautics (B787 pass-through) and DRS
 - ✦ FX translation effect (GBP)
 - ✦ lower revenues in Helicopters

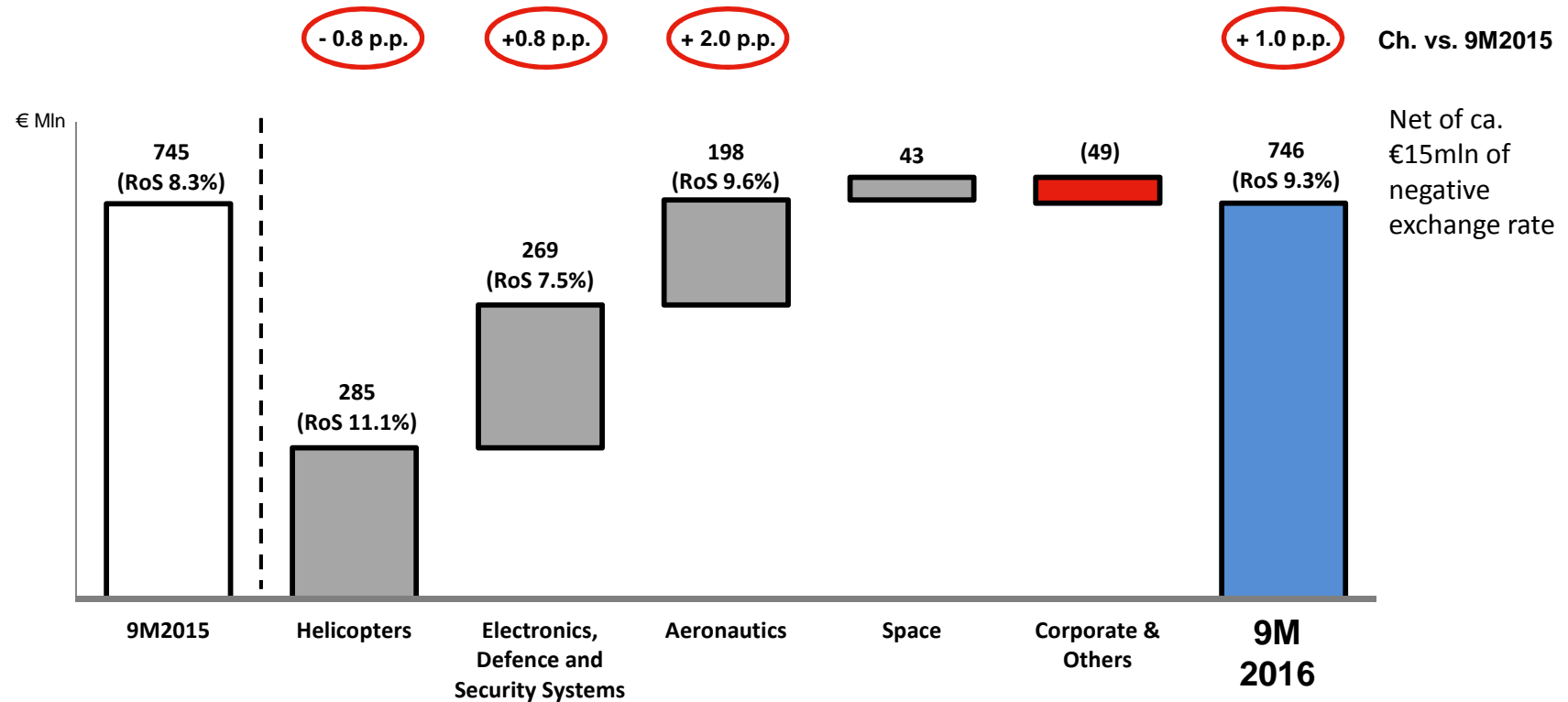
Profitability improvement

EBITDA improving trend continues, margin 180bp higher YoY



Profitability improvement

EBITA in line despite lower revenues, ROS 100bp higher

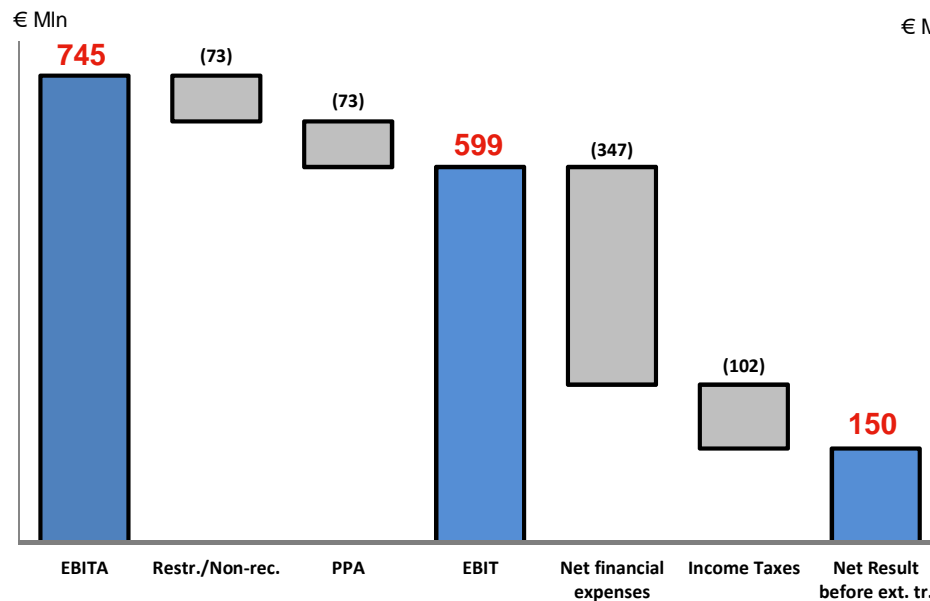


- * EBITA in line with last year despite lower volumes and negative impact of exchange rate (€/GBP)
- * Continuous improvement in Electronics, Defence & Security and Aeronautics fully offsetting persisting softness in Helicopters

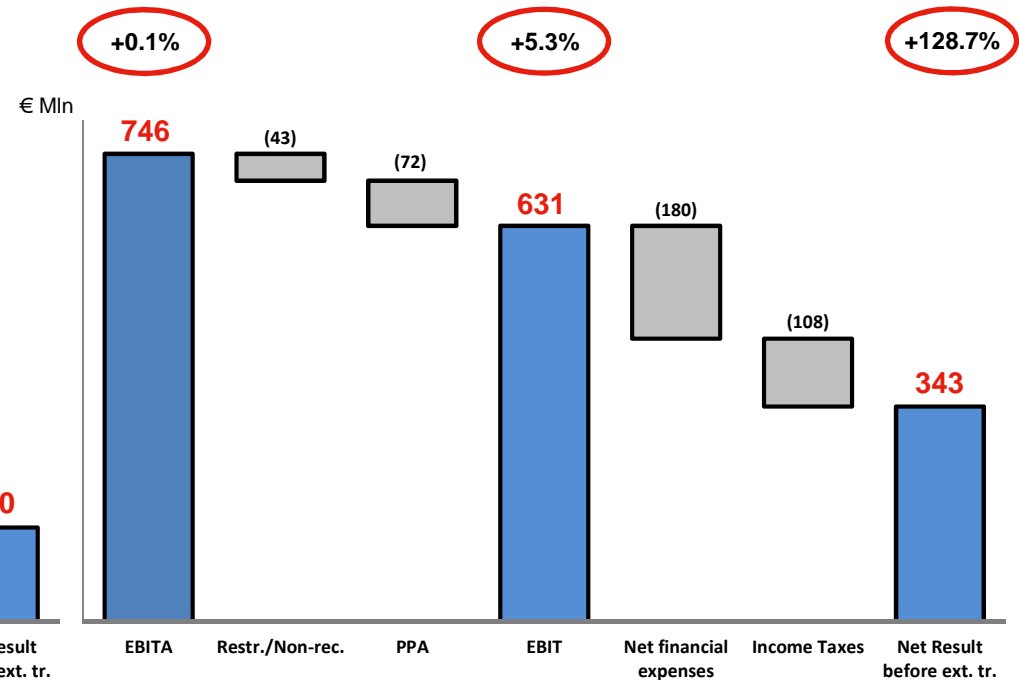
Net Result Improvement

More than doubled on lower below the line and net financial expenses

9M2015



9M2016



- ✦ “Below the line” volatility fully under control
- ✦ Material reduction of net financial expenses
 - ✦ Lower financial costs from Bond buy back and renegotiation of the RCF (July 2015)
 - ✦ Positive effect of fair value

FOCF and Net Debt

Disciplined financial strategy aimed at cash flow improvement and Net Debt reduction

- * FOCF improvement
 - * Further boosted in Q3 by timing of initial payments under Eurofighter Kuwait contract
 - * FY2016E positive net effect of the first downpayment from Kuwait confirmed (ca.€200mln)

- * Net debt as at 30 September lower than €4bn, net of ca. €180mln of negative exchange rate; FY2016 guidance confirmed, even including the negative GBP exchange rate

- * On track to deliver FY guidance

- * On 28th October Fitch Revised Leonardo's Outlook to Positive from Stable, affirming the BB+ Credit Rating

A step forward in the execution of the Industrial Plan Leonardo increases its stake in Avio

- ✦ Avio is leader in Space transportation technology, with system integration capabilities in propulsion for space launchers and complete launchers (Vega)
- ✦ In line with the Industrial Plan we will strengthen our positioning in the Space
 - ✦ by increasing our stake in Avio from ca. 14% to ca. 28%
 - ✦ Further developing Avio business
 - ✦ consolidating our role in the launchers segment, also for small satellites
- ✦ Total price to be paid by Leonardo ca. € 43 mln
- ✦ Transaction already approved by the BoDs; completion of the Business Combination and the subsequent listing of Avio expected by 1Q2017

FY2016 Guidance

- ✦ **All metrics potentially impacted by** changes in exchange rate, mainly GBP/€
- ✦ **New Orders:** challenging, due to the prolonged crisis of civil helicopters markets
- ✦ **Revenues:** expected to be modestly below the lowest end, driven by lower Helicopters
- ✦ **EBITA:** expected at the top end, confirming continuous improvement in operating performances and increasing benefits from efficiency improvements
- ✦ **FOCF:** confirmed within the range, benefitting from the net effect of the downpayment of the Typhoon Kuwait contract received in July
- ✦ **Net Debt:** ca. €2.8bn, target achieved one year ahead of original Plan

		FY2015A	FY2016E*
New orders	€ bn	12.4	ca. 20
Revenues	€ bn	13.0	12.2-12.7
EBITA	€ mln	1,208	1,220-1,270
FOCF	€ mln	307	500-600
Group Net Debt	€ bn	3.3	ca. 2.8

(*) Assuming €/€ exchange rate at 1.15 and €/£ at 0.75

Conclusion

- ✦ Strong delivery of industrial plan in a challenging market environment
- ✦ On track to deliver what we promised 3 years ago
- ✦ Stronger portfolio with a better balance between sectors



SECTOR RESULTS

HELICOPTERS

	3Q			9M			FY
	2016	2015	% Change	2016	2015	% Change	2015
€ Mln							
Orders	580	624	(7.1%)	1,538	2,881	(46.6%)	3,910
Revenues	857	1,098	(21.9%)	2,565	3,212	(20.1%)	4,479
EBITA	83	121	(31.4%)	285	381	(25.2%)	558
ROS %	9.7%	11.0%	(1.3) p.p.	11.1%	11.9%	(0.8) p.p.	12.5%

- * Persisting challenging market conditions in civil, coinciding with the introduction of some new products
- * 9M2015 order intake benefitted from UK AW101 IOS contract
- * For the FY2016, we continue to expect solid performance with profitability steadily at double digit

ELECTRONICS, DEFENCE & SECURITY SYSTEMS

(Now includes Defence Systems as a Division, DRS and MBDA)

	3Q			9M			FY
	2016	2015	% Change	2016	2015	% Change	2015
€ Mln							
Orders	1.749	1.072	63,2%	4.239	3.800	11,6%	6.974
Revenues	1.130	1.235	(8,5%)	3.567	3.791	(5,9%)	5.656
EBITA	92	107	(14,0%)	269	254	5,9%	512
ROS %	8,1%	8,7%	(0,6) p.p.	7,5%	6,7%	0,8 p.p.	9,1%

Of which
DRS:

	3Q			9M			FY
	2016	2015	% Change	2016	2015	% Change	2015
\$ Mln							
Orders	594	537	10.6%	1,484	1,539	(3.6%)	2,022
Revenues	399	443	(9.9%)	1,170	1,297	(9.8%)	1,805
EBITA	30	44	(31.8%)	63	93	(32.3%)	126
ROS %	7.5%	9.9%	(2.4) p.p.	5.4%	7.2%	(1.8) p.p.	7.0%

- ✦ Order increase mainly due to UK MoD - FSOM
- ✦ Sharp improvement in profitability due to benefits from Industrial Plan actions
- ✦ DRS top line down due to change in perimeter
- ✦ Lower profitability in *DRS* due to change in mix of activities
- ✦ Profitability expected to further improve, despite a more competitive environment and the winding down of some profitable programmes, supported by benefits coming from industrial processes improvements
- ✦ For DRS, excluding the effect of the change in perimeter (ca.€200mln YoY), we continue to expect positive trend in business growth, even in a more competitive environment, and a further increase in profitability

AERONAUTICS

	3Q			9M			FY
	2016	2015	% Change	2016	2015	% Change	2015
€ Mln							
Orders	305	568	(46.3%)	9,790	1,259	677.6%	1,741
Revenues	681	726	(6.2%)	2,060	2,140	(3.7%)	3,118
EBITA	83	77	7.8%	198	163	21.5%	312
ROS %	12.2%	10.6%	1.6 p.p.	9.6%	7.6%	2.0 p.p.	10.0%

- * Very good order intake even excluding the Eurofighter Kuwait (€ 7,95mln)
- * Revenues impacted by change in perimeter (B787 pass-through activities)
- * Significant improvement in EBITA driven by *Aerostructures*
- * 2016 profitability expected to further improve driven by additional efficiency-improvement and cost reduction actions also offsetting the winding down of some high-margin programmes

SPACE

	3Q			9M			FY
	2016	2015	% Change	2016	2015	% Change	2015
EBITA	14	5	180.0%	43	27	59.3%	37

- ✦ Higher volumes and better profitability in Manufacturing; Services in line with 2015
- ✦ EBITA and profitability expected to recover in 2016



APPENDIX

GROUP PERFORMANCE

	3Q			9M			FY
	2016	2015	% Change	2016	2015	% Change	2015
€ Mln							
New Orders	2,637	2,252	17.1%	15,504	7,791	99.0%	12,371
Backlog				34,589	28,071	23.2%	28,793
Revenues	2,621	3,028	(13.4%)	8,034	9,001	(10.7%)	12,995
EBITDA	407	436	(6.7%)	1,193	1,174	1.6%	1,866
<i>EBITDA Margin</i>	15.5%	14.4%	1.1 p.p.	14.8%	13.0%	1.8 p.p.	14.4%
EBITA	274	295	(7.1%)	746	745	0.1%	1,208
<i>ROS %</i>	10.5%	9.7%	0.8 p.p.	9.3%	8.3%	1.0 p.p.	9.3%
EBIT	232	248	(6.5%)	631	599	5.3%	884
<i>EBIT Margin</i>	8.9%	8.2%	0.7 p.p.	7.9%	6.7%	1.2 p.p.	6.8%
Net result before extraordinary transactions	143	59	142.4%	343	150	128.7%	253
Group Net result	142	36	294.4%	352	122	188.5%	527
EPS (€ cents)	0.247	0.062	298.4%	0.612	0.211	190.0%	0.905
FOCF	405	(192)	310.9%	(388)	(935)	58.5%	307
Group Net Debt				3,890	5,323	(26.9%)	3,278
Headcount				46,316	53,183	(12.9%)	47,156

Free Operating Cash-Flow (FOCF): this is the sum of the cash flows generated by (used in) operating activities (which includes interests and income taxes paid) and the cash flows generated by (used in) ordinary investment activity (property, plant and equipment and intangible assets) and dividends received.

Eurofighter Kuwait contract

Downpayment received in 3Q2016

- ✦ Contract signed on April 5th 2016 for 28 Eurofighter in the most advanced configuration, including **new E-Scan radar**
- ✦ Leonardo as prime contractor will lead all activities on behalf of the Consortium. Our share is ca. 60% of total value (€ 7,95mln), remaining 40% is pass-through
- ✦ 8-year contract (2016-2023). Production, delivery and acceptance will be in Italy (Aircraft Division). Deliveries will start in 2019
- ✦ The impact of the contract on the Group :
 - ✦ **ORDERS**: entire amount (€ 7,95mln) booked 2Q2016 in Aircraft Division
 - ✦ **REVENUES**: meaningless contribution in 2016, ramping up in 2017-2018, peak of ca. €2bln p.y. in 2020-2021
 - ✦ **EBITA**: not expected to be dilutive on margins in 2017-2018, only marginally from 2019 onwards as Revenues peak up
 - ✦ **FOCF**: downpayment received in July with € 200mln net impact on FY2016E FOCF and € 400mln in FY2017E. As typical for this kind of contracts, cash absorption expected as the deliveries start, due to the build up of the Working Capital

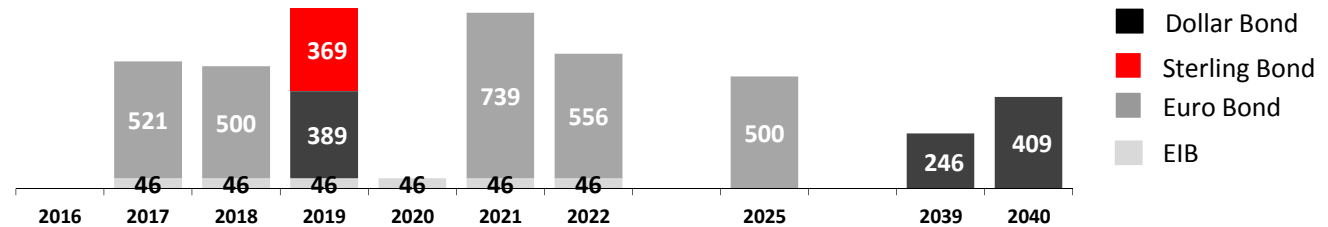
FINANCIAL POSITION (as of end of September 2016)

Key Messages

- ⌘ No refinancing needs before end 2017
- ⌘ Strong liquidity position
- ⌘ Bonds have neither financial covenants nor rating pricing grids
- ⌘ Average life approx. 7 years

Maturity Schedule

(€mil)



Early Repayments

(€mil)

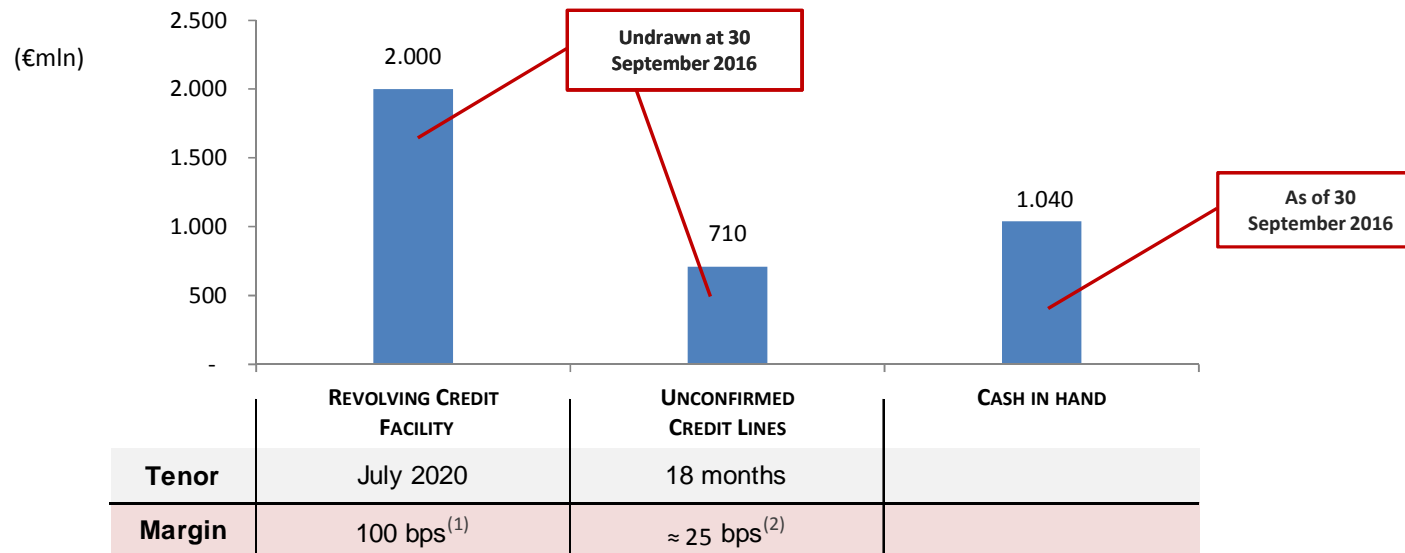
Bond	Initial Amount	Repaid Amount	Repayment Date
Dollar 2019	\$500	\$66	2012
Euro 2017	€ 600	€ 79	July 2015
Euro 2021	€ 950	€ 211	July 2015
Euro 2022	€ 600	€ 44	July 2015
Sterling 2019	£400	£82	July 2015
Dollar 2039	\$300	\$25	November 2015
Dollar 2040	\$500	\$43	November 2015

LIQUIDITY POSITION (as of end of September 2016)

Availability of adequate committed liquidity lines

In order to cope with possible swings in financing needs, Leonardo can leverage:

- 30 September cash balance of approx. €1.0 Billion
- Credit lines worth €2.7 Billion (confirmed and unconfirmed)
 - The Revolving Credit Facility was renegotiated on 6 July 2015 lowering the margin from 180bps to 100bps. The renegotiated facility has an amount of €2.0bn and will expire in July 2020
- Bank Bonding lines of approximately €3.8 Billion to support Leonardo's commercial activity



(1) Based on rating as of 30/09/2016

(2) Average. Expected to be renewed at maturity

SAFE HARBOR STATEMENT

NOTE: Some of the statements included in this document are not historical facts but rather statements of future expectations, also related to future economic and financial performance, to be considered forward-looking statements. These forward-looking statements are based on Company's views and assumptions as of the date of the statements and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Given these uncertainties, you should not rely on forward-looking statements.

The following factors could affect our forward-looking statements: the ability to obtain or the timing of obtaining future government awards; the availability of government funding and customer requirements both domestically and internationally; changes in government or customer priorities due to programme reviews or revisions to strategic objectives (including changes in priorities to respond to terrorist threats or to improve homeland security); difficulties in developing and producing operationally advanced technology systems; the competitive environment; economic business and political conditions domestically and internationally; programme performance and the timing of contract payments; the timing and customer acceptance of product deliveries and launches; our ability to achieve or realise savings for our customers or ourselves through our global cost-cutting programme and other financial management programmes; and the outcome of contingencies (including completion of any acquisitions and divestitures, litigation and environmental remediation efforts).

These are only some of the numerous factors that may affect the forward-looking statements contained in this document.

The Company undertakes no obligation to revise or update forward-looking statements as a result of new information since these statements may no longer be accurate or timely.

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2015 Annual Results

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Sustainability



We do business in a sustainable manner, with a continued commitment to economic and social development and the protection of public health and the environment.